M&A deals now ‘fewer but fatter’ as world political insecurity rises

By **Lucy Burton**

POLITICAL uncertainty around the world is attracting businesses to fewer, fatter “more precious” merger and acquisition (M&S) deals, with the average size of transactions hitting a record $403.4m (£324.4m) in the first three months of the year, a report says.

In Europe, where “rife” political uncertainty has hammered inbound investment and deal counts, the average size of disclosed value deals has swelled by 17pc on the same period a year ago to $379m (£304.6m).

Globally, the amount raised through M&A in the first quarter rose by 8.9pc to $678.5bn (£545.3bn) despite a 17.9pc drop in the number of deals announced, the report from Mergermarket shows.

$678.5bn

Global value of merger and acquisition deals announced in the first quarter of 2017, an increase of 8.9pc

The data, published yesterday, suggest that dealmakers are batting off political concerns and economic uncertainty to get big deals done.

Consumer-facing businesses are behind the boost. The sector kicked off the year with three $10bn-plus deals: the Italian glasses manufacturer Luxottica’s £40bn merger with the French lens maker Essilor, the world’s largest maker of opthalmic lenses; the consumer goods giant Reckitt Benckiser’s £14.2bn takeover of the US baby formula maker Mead Johnson; and British American Tobacco’s £40bn takeover of its US rival Reynolds, whose brands include Camel and Lucky Strike.

Reckitt is also looking to dispose of its food business, with analysts saying that the division, which includes French’s mustard and Frank’s Red Hot sauce, is worth around £2.3bn.

Ben Ward, head of Herbert Smith Freehill’s London corporate team, said that although “large, precious M&A deals are likely to continue”, appetite for smaller deals will return as businesses lean towards those transactions that offer them low financial risk and limited political and regulatory scrutiny.

There was concern that Britain’s decision to leave the EU would batter the M&A market. Its impact has mostly been on deal numbers and inbound activity, according to Mergermarket’s figures, with the UK seeing a drop in investment from outside Europe of almost a third compared to this time a year ago, while inbound investment in Europe as a whole has fallen almost 40pc.

The M&A industry is not the only sector to have shown signs of strength in the first quarter.

The research company Preqin said yesterday that private equity funds had a bumper three months at the beginning of 2017, raising a combined $89bn, which is edging towards 2008’s all-time high.

Christopher Elvin, the head of private equity products at Preqin, said: “Looking ahead, there is cause to believe that 2017 may ultimately come to be a record fundraising year for the industry.”

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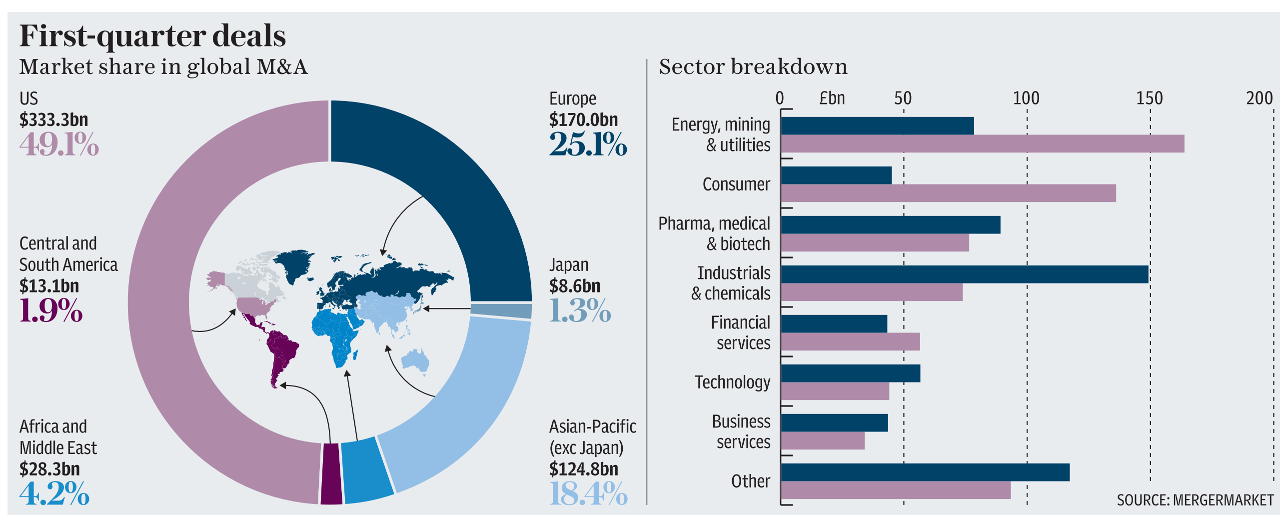

Panmure back in black under new chief executive

By **Lucy Burton**

PANMURE Gordon, the City stockbroker being taken over by ex-Barclays chief Bob Diamond’s investment firm, has returned to full-year profits after huge losses 12 months earlier.

The firm, which advised last year on the sale of Brighton Pier to the Eclectic Bar Group, and Johnston Press on its talks to buy the *i* newspaper, saw profit after tax for the year to December of £1.5m, against a loss of £18.8m in 2015.

Its turnaround was driven by a 41pc boost in corporate finance fees, with chief executive Patric Johnson contradicting comments made by rivals and insisting that the London equity market was strong in 2016.

Mr Johnson has been turning around the broker, which he said had been viewed “incorrectly as an IPO shop”, for just over a year, after the departure of its former chief executive , Philip Wale the resignation of chairman Ed Warner.

He has refocused it on core sectors, launched an online brokerage, made around 100 redundancies and closed its Swiss office “without cutting the legs off the business.”

Bob Diamond: attracted to Panmure after turnaround by new chief executive Patric Johnson

The refocus helped it draw in an offer last month from Mr Diamond’s private equity vehicle, Atlas Merchant Capital, and QInvest, the Qatari investment bank that already owns a stake in Panmure.

Like many of its rivals, Panmure has struggled with falling commission fees and rising regulatory costs in recent years. Mr Johnson said: “Every year businesses [in the UK stockbroking community] seem to hang on somehow. I’m surprised there hasn’t been more failure. I said that last year, and I said that the year before, and I say it now.” Costs were rising and it “stands to reason that more and more consolidation will happen.”

Mr Johnson, 45, who said that returning to a partnership had been at the back of his mind for some time, said last month that he was bored of hearing how this was Mr Diamond’s City comeback, and was irritated by references to Ian Cameron, the father of former Prime Minister David Cameron, every time Panmure is mentioned.

Pammure chairman Andrew Adcock said that the takeover offer “opens an exciting chapter for the company.”.

Finance firms rush to upgrade cybersecurity as fears over attacks grow

By **Lucy Burton**

FOUR in every five financial services firms plan to pump cash into cybersecurity this year, almost double the number last year, as fears over cyber attacks swell.

The corporate adviser Duff & Phelps, which analysed 200 executives in Europe, Hong Kong and the US, said 86pc of financial services firms intend to spend more time and money on cybersecurity in 2017.

That is a significant increase on last year, when less than 60pc said they planned to do so, Duff & Phelps said.

Financial firms are waking up to the global crackdown on cybersecurity, with two thirds of respondents saying they expect cybersecurity to be a priority for regulators this year, up from fewer than one in five a year earlier.

Jason Elmer, Duff & Phelps’ managing director for compliance and regulatory consulting, said that 2017 will be a “watershed year for cybersecurity regulation” after a string of high-profile attacks, upcoming regulations and increasing pressure from investors.

Protecting companies from cyber attacks has become a major focus in the UK, with the Chancellor of the Exchequer, Philip Hammond, announcing a five-year £1.9bn scheme to help prevent cyber-crime last November and Bank of England officials working with financial technology firms to combat fraud.

The new EU general data protection regulation, which could see companies fined 4pc of their global turnover for cyber attacks, will also be implemented next year.

A number of banks have faced cyber attacks in recent years, with HSBC’s online banking service hit after hackers tried to force the system to crash in January.

The rising prominence of cyber attacks has boosted UK cybersecurity businesses, however. The Abingdon-based security firm Sophos upgraded its profit forecast on Monday, saying it expected to see its revenues grow 18pc in the year to March 31.

Helium firm predicts ballooning demand as airships take off

By **Jon Yeomans**

GIANT helium-fuelled airships could soon be plying the skies, and a Tanzania-based gas explorer hopes to be joining them for the ride.

Helium One, a start-up crewed by oil and mining industry veterans, is teaming up with Lockheed Martin to work on using the US giant’s new airships to transport helium from its project in Tanzania to port for shipping.

The company hopes that the partnership will eventually result in it supplying helium to Lockheed’s entire fleet of hybrid airships.

Lockheed plans to launch its first helium-powered airship for commercial use in 2018, and already has an order for 12 craft from an aviation firm in Alaska. The giant aircraft can carry minimum 21-tonne payloads and are intended for use in the oil, gas and mining sectors, delivering bulky supplies to remote installations where there are few roads or airstrips, as well as for use in tourism.

Tom Abraham-James, Helium One’s chief executive, said: “We like the thought of shipping our product using our product.”

Helium One claims it has one of the largest untapped resources of helium anywhere in the world, totalling 98.9bn cubic feet, and is expecting a surge in demand if Lockheed’s airships take off.

98.9bn cu ft

The size of the helium deposit in Tanzania being exploited by the company Helium One

“There’s a looming gap in the market where we see ourselves fitting,” Mr Abraham-James said.

Helium One is privately held by its founders and a group of high net worth individuals, but recently gained the Aim-listed Solo Oil and Gas as a 10pc investor.

Mr Abraham-James said the company was weighing its own listing in London later in the year.

The company’s helium deposit in Tanzania could begin producing by late 2018. Using airships instead of trucks to transport the gas would provide a “direct, point-to-point delivery” to the port in Dar-es-Salaam in seven hours, avoiding bottlenecks, Mr Abraham-James said.

Helium is inert and therefore much safer than hydrogen, which was used to propel the Zeppelins of the 1930s. The development of helium-fuelled airships for commercial use has only recently become possible thanks to military patents being available in the public domain.

Rob Binns, chief executive of Hybrid Enterprises, the company that holds the contract to sell Lockheed’s ships, said: “With the demand for helium increasing, this discovery of a nearly 100 billion cubic foot helium deposit in Tanzania will help ensure future supply. What better way to transport this product than with our helium-filled hybrid airship.”

MONEY SHARMA/AFP/GETTY IMAGES

Trade mission India’s finance minister, Arun Jaitley, right, and Britain’s Chancellor of the Exchequer, Philip Hammond, shake hands in New Delhi yesterday

Warning of risk from credit boom paves way for action

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to broader macroeconomic stability through its effect on household spending,” the FPC said in a record of its March meeting. “Instead, the recent rapid growth in consumer credit could principally represent a risk to lenders if accompanied by weaker underwriting standards.”

The warnings pave the way for policymakers to rein in lending as soon as June, as the FPC revealed more details of a review into lending standards announced last month.

Cheaper credit has helped to drive the recent boom in borrowing, which saw credit card debt grow at the fastest pace in 11 years in February, to a fresh high of £67.3bn.

The Bank said there had been a “marked lengthening” in interest-free periods on credit card balance transfer offers in its February Inflation Report, while households can now borrow more money at cheaper rates than in recent years. Bank data show the interest rate on a £10,000 unsecured loan fell to 3.66pc in February, the lowest rate since records began in 1995.